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The Conference Board

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International Economic Scoreboard

INSIDE:

- **Global Recessionary Trend Continues.**
- **U.S. & Japan — Different Phases of the Cycle.**
- **Inflation — Modest Improvement.**

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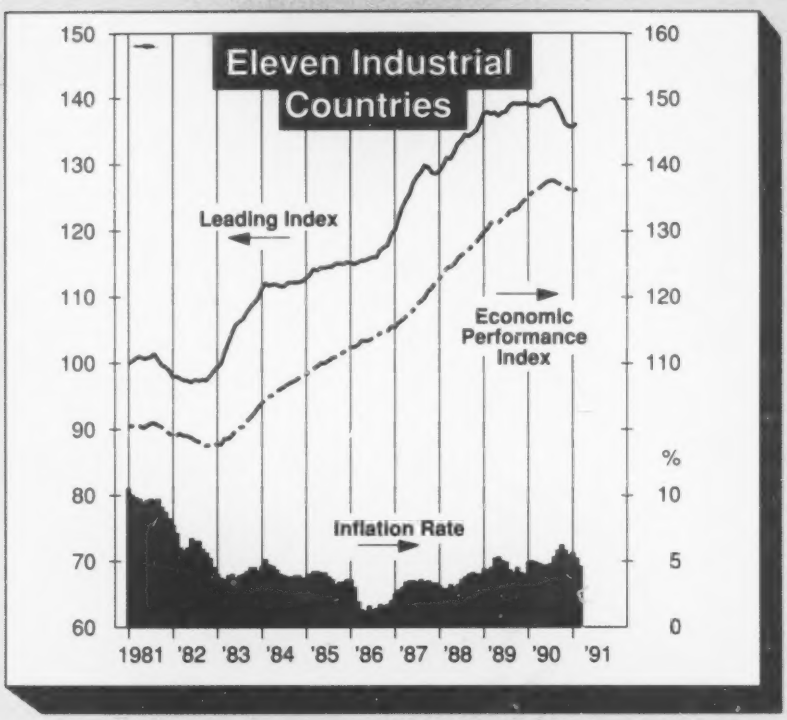
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	3	0	-1	1	-4	-3	Expansion stopped, leaders weak	Feb.
Ten countries (U.S. excl.)	3	5	3	2	1	-3	-3	Expansion continuing, leaders weak	Feb.
North America (2)	3	0	-4	-7	0	-5	-2	Recession continuing, leaders weak	Feb.
Europe (4)	2	5	3	2	2	0	0	Expansion continuing, leaders weak	Feb.
Pacific Region (5)	4	6	3	4	0	-6	-7	Expansion continuing, leaders weak	Feb.
United States	3	-1	-5	-7	0	-5	-4	Recession continuing, leaders weak	Mar.
Canada	3	-1	-4	-7	-3	-5	-2	Recession continuing, leaders weak	Feb.
West Germany	2	6	4	5	4	3	1	Expansion continuing, leaders weak	Mar.
France	2	7	5	3	0	-3	6	Expansion continuing	Feb./Mar.
United Kingdom	2	1	-2	-3	-1	-3	0	Recession continuing, leaders weak	Feb./Mar.
Italy	2	6	3	2	-1	-3	4	Expansion stopped	Oct./Feb.
Japan	4	6	5	2	-3	-8	-7	Expansion stopped, leaders weak	Mar.
Korea, R.O.K.	7	6	5	5	9	3	1	Expansion continuing, leaders weak	Mar.
Australia	3	-6	-7	-12	-5	-4	-3	Recession continuing, leaders weak	Mar.
New Zealand	2	0	-2	-4	-4	-4	-3	Recession continuing, leaders weak	Feb.
Taiwan, R.O.C.	8	0	0	9	-5	-1	5	Expansion resumed	Mar.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

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Overview

Still in Recession

The global business cycle continues to show widespread but moderate recession. At the latest reading, the 11-country composite indexes are both falling — the performance index at a 1 percent annual rate, the leading index at a 3 percent rate. About half of the nations included in this report show recession either in progress or in prospect. These include the world's two largest economies, the United States and Japan. As detailed on the following page, the U.S. is among the economies in recession; Japan is evidently not there yet, but is giving off a number of signals it's headed in that direction.

Nationally, the pattern has changed little since last month. As before, Australia, Canada, the United States, New Zealand and the United Kingdom are in recession. Japan's indexes, as mentioned, are moving that way. The French and Italian leading indexes have been bouncing around somewhat randomly for the past year or more, but just now they look a bit more encouraging. West Germany's numbers are still in the plus column, but its leading index has been flat for over half a year. Very much the same can be said for Korea. The only nation with clearly optimistic indexes is Taiwan.

You have to look carefully to find them, but there are a few signs of optimism scattered among the data. Although the change is very limited in most cases, eight of the eleven countries show improvement in their leading-index growth rates compared with 3 months ago. The same sort of statement can be made about the "long leading" indexes calculated for five of these countries by the CIBCR (see page 5). These harbingers of a turnaround are not strong enough to suggest that a recovery in the global business cycle is around the corner, but they do relieve the gloom somewhat.

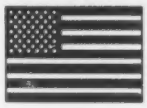
The price data have become more encouraging. The 11-nation inflation rate has dropped almost a point in the latest 3-month period and a bit more than a point over the past 6 months. All three regions and seven of the eleven countries show a slowing inflation picture over the latest 3 months. In most areas, both falling energy prices and the price-suppressing impact of recession are behind this restraint.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	5.8	5.4	4.6	Falling	Mar.
Ten countries (U.S. excl.)	5.2	5.3	4.8	4.7	Falling	Mar.
North America (2)	5.6	6.3	5.9	4.7	Falling	Mar.
Europe (4)	6.6	6.3	4.9	4.3	Falling	Mar.
Pacific Region (5)	3.4	4.1	4.6	4.5	Volatile	Mar.
United States	5.5	6.8	5.9	4.0	Falling	Apr.
Canada	6.5	4.3	4.8	7.6	Rising	Mar.
West Germany	2.9	4.0	2.8	2.6	Falling	Apr.
France	7.3	4.2	3.4	2.9	Falling	Mar.
United Kingdom	7.3	11.5	7.4	5.8	Falling	Mar.
Italy	11.2	6.5	6.7	6.5	Steady	Apr.
Japan	2.5	3.2	4.2	4.2	Rising	Mar.
Korea, R.O.K.	8.1	9.7	8.2	11.5	High and Rising	Mar.
Australia	8.4	5.1	7.1	3.9	Falling	Feb.
New Zealand	11.8	5.4	4.6	3.3	Falling	Feb.
Taiwan, R.O.C.	4.4	9.6	3.4	3.5	Volatile	Mar.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

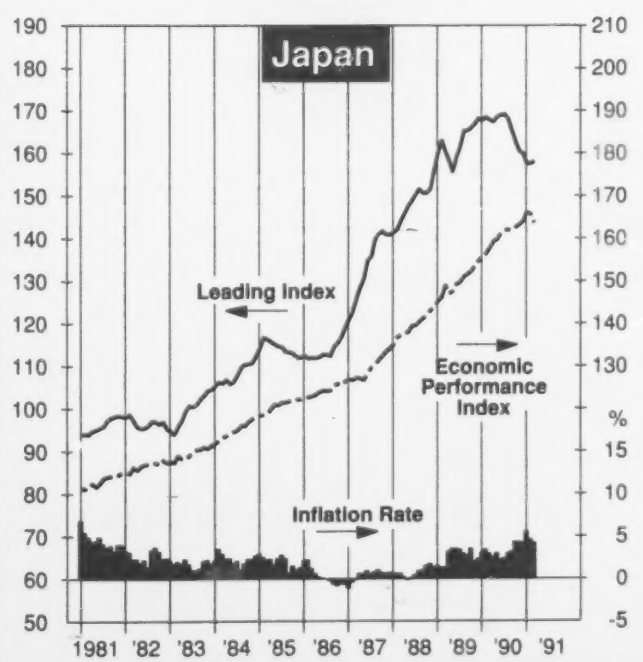
Countries



Hints of Recovery Ahead

The recession in the United States continued apace through March. The U.S. leading index, however, appears to have stopped declining as of year end, and its improvement in February and again (partial data suggest) in April may be signaling that a recovery will get underway before too long.

The U.S. inflation data show definite — albeit moderate — improvement. The rate of change in consumer prices has declined almost 2 percentage points over the latest 3-month period and almost 3 percentage points over the past half year. Much of that represents the post-Gulf-war decline in world oil prices, but the so-called "core" inflation rate (calculated to exclude the volatile elements of food and energy) also shows a slowdown. Furthermore, the employment cost index (wages, salaries, bonuses and benefits) now shows a modest slowdown on the cost side of the inflation picture.



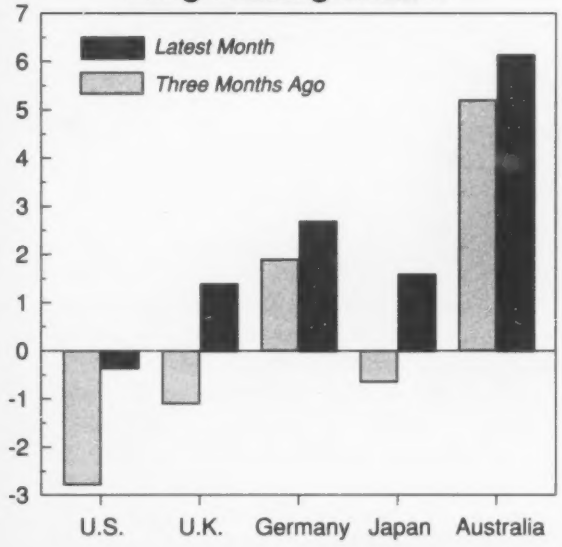
Downturn or Just a Hesitation?

Although the Japanese economic performance index has not yet faltered in any meaningful way, its leading business-cycle index has been falling sharply since last August. At first this plunge in the leaders seemed to be restricted mainly to the Japanese stock market, but now we can see it (to a greater or lesser degree) in business failures, new orders, dwelling units started, raw materials prices, and other components of the leading index.

Historically, the Japanese leaders have shown themselves to be very volatile. That is, on some past occasions the leading index has dropped sharply for a time and then recovered quickly, and the economy slowed its growth for a while but did not develop a full-fledged recession.

Accordingly, it is still too early to project a recession for 1991. It would be something of a surprise, however, if the long expansion of the Japanese economy did not at least level off for a few months. Indeed, the February and March data for the performance index suggest something like that may be taking place now.

Growth Rates of the Long-Leading Indexes



Source: Center for International Business Cycle Research

A Ray of Hope

In addition to the standard cyclical indexes, the Center for International Business Cycle Research also calculates "long leading" indexes for five of the eleven industrial countries covered by the *Scoreboard.* These "long leading" indexes are comprised of statistical time series that show a historical tendency to lead the business cycle by a longer-than-average interval. (The offsetting disadvantage is that they have a tendency to be somewhat more erratic than average.)

The growth rates for these long leading indexes — for the latest month and for three months earlier — are shown in the chart at the left. For four of the five countries, the latest growth rates are positive. Furthermore, in each case, the latest growth rate is an improvement from three months ago.

This is a tentative and preliminary signal, to be sure, but at the moment it is almost the only favorable augury available for the global business cycle, and thus should not be ignored.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries,* Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	89	133	139	137	139	128	139	126	124	155	166
Nov.	89	134	139	138	139	128	138	127	124	156	166
Dec.	89	135	139	139	139	129	138	128	124	157	167
Jan.	90	135	139	140	140	128	138	129	124	158	167
Feb.	90	136	139	141	140	129	137	130	124	159	168
Mar.	90	136	139	141	140	129	137	130	124	160	167
Apr.	90	136	139	142	140	129	137	131	125	162	166
May	90	137	140	142	140	129	138	131	125	162	168
June	90	138	140	143	140	130	138	132	125	163	168
July	90	138	140	144	140	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	138	133	126	163	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	136	133	125	164	162
Nov.	90	137	136	144	137	126	134	133	124	164	161
Dec.	90	136	136	144	137	125	133	133	124	165	160
Jan.	91	137	136	145	136	124	134	134	125	167	158
Feb.	91	136	136	145	136	123	135	134	125	166	158

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct. 89	4	3	6	3	1	1	6	1	6	7
Nov. 89	4	2	6	3	1	0	6	0	7	7
Dec. 89	4	2	6	3	1	0	6	0	7	6
Jan. 90	4	1	7	3	0	-1	7	1	7	5
Feb. 90	4	1	7	3	1	-2	7	1	7	6
Mar. 90	5	1	7	2	1	-1	7	0	7	4
Apr. 90	4	0	7	2	1	-2	6	1	8	3
May 90	4	1	6	2	1	-1	6	1	7	3
June 90	4	1	6	2	2	0	5	2	7	2
July 90	4	1	6	2	1	0	6	2	7	2
Aug. 90	3	1	5	1	0	0	5	2	6	0
Sept. 90	2	-1	4	-1	-1	-1	4	1	4	-2
Oct. 90	1	-2	4	-2	-2	-3	4	1	4	-5
Nov. 90	0	-4	3	-3	-4	-5	3	0	3	-6
Dec. 90	0	-4	2	-4	-5	-5	2	-1	4	-6
Jan. 91	0	-4	3	-4	-6	-4	3	0	5	-8
Feb. 91	-1	-3	2	-3	-7	-2	2	0	4	-7
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1989-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	89	128	140	134	125	121	127	140	129	126	117	116	117	152	166	222	220	149	129	109	120	192	232
Nov.	89	128	140	134	124	122	128	142	128	126	117	117	118	154	167	220	222	150	128	110	119	194	233
Dec.	89	128	140	134	124	123	129	142	128	127	117	118	117	155	168	224	221	150	127	111	119	194	234
Jan.	90	128	139	135	123	124	129	143	128	127	118	118	118	156	168	228	222	152	127	111	119	194	236
Feb.	90	128	138	135	122	125	129	144	127	128	118	119	116	156	168	234	231	150	127	111	118	194	246
Mar.	90	129	139	135	122	126	129	144	128	128	118	119	117	158	168	235	227	150	126	112	117	194	241
Apr.	90	128	138	135	120	125	129	145	129	129	118	120	117	159	167	236	225	150	125	112	116	192	239
May	90	129	139	135	120	127	130	146	130	129	117	119	117	160	168	233	227	149	125	113	117	194	238
June	90	129	139	135	121	127	130	147	131	129	117	120	116	161	169	234	225	149	124	111	116	192	235
July	90	129	140	135	121	128	131	148	132	129	117	119	117	162	169	236	226	148	124	111	116	192	234
Aug.	90	128	140	134	121	129	132	148	131	128	116	120	116	162	168	238	228	146	123	111	115	192	232
Sept.	90	128	139	134	120	129	132	149	129	128	117	120	114	162	165	238	235	145	123	109	115	193	230
Oct.	90	127	137	133	120	129	133	150	129	128	117	120	115	163	163	234	222	144	122	110	115	195	229
Nov.	90	126	135	132	118	130	132	149	128	127	116		114	163	160	236	233	141	123	110	114	195	236
Dec.	90	125	135	131	117	130	132	149	127	126	115		114	164	160	240	231	142	122	108	113	194	235
Jan.	91	124	135	129	118	132	132	151	128	126	114		118	166	158	246	233	143	122	107	114	197	239
Feb.	91	123	136	128	119	132	131	150	129	126	115		119	166	158	245	229	140	124	108	113	201	239
Mar.	91	122	135			132	132		133		116			164	158	244	229	136	122			203	242
		Growth Rates, Percent																					
Oct.	89	1	1	2	0	4	5	8	-1	5	-3	5	0	7	8	7	2	7	-1	-1	5	4	7
Nov.	89	1	1	2	-1	5	5	9	-2	5	-4	6	1	7	8	5	3	7	-3	1	4	6	7
Dec.	89	1	0	2	-1	6	6	8	-3	5	-3	7	0	7	8	8	1	6	-4	2	3	4	7
Jan.	90	0	0	2	-3	7	5	9	-3	4	0	6	1	7	6	9	2	7	-4	2	2	4	8
Feb.	90	1	-2	2	-3	8	5	8	-3	5	0	6	-1	7	6	14	10	4	-5	2	0	3	14
Mar.	90	1	-1	2	-3	8	4	8	-2	4	-1	6	-1	8	5	13	5	2	-6	3	-1	3	8
Apr.	90	0	-2	2	-5	6	3	8	1	4	0	6	-1	9	4	12	2	2	-6	3	-2	0	5
May	90	1	0	1	-5	7	3	7	2	4	-1	5	0	8	4	8	4	1	-5	5	-2	1	3
June	90	2	0	1	-4	6	3	7	3	4	-1	4	-2	8	3	8	1	0	-6	2	-3	0	0
July	90	1	1	1	-4	7	5	7	4	2	-1	3	-1	8	3	8	2	-2	-6	2	-3	-1	-1
Aug.	90	0	0	-1	-3	8	5	7	3	1	-2	3	-1	7	1	8	3	-4	-5	0	-4	-1	-3
Sept.	90	-1	0	-1	-3	6	4	6	0	1	-1	3	-4	6	-3	6	9	-6	-5	-2	-4	0	-5
Oct.	90	-2	-3	-2	-4	3	4	6	-1	0	-1	2	-2	5	-6	2	-3	-7	-5	-2	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	3	5	-1	-2	-3		-3	5	-8	3	6	-9	-3	-2	-4	1	0
Dec.	90	-5	-5	-4	-6	4	3	4	-3	-3	-3		-3	5	-8	5	3	-7	-4	-5	-5	0	-1
Jan.	91	-6	-4	-7	-4	7	2	5	-1	-3	-4		3	7	-10	9	4	-5	-3	-6	-3	4	2
Feb.	91	-7	-2	-7	-2	6	0	3	0	-3	-3		4	5	-9	7	0	-7	0	-4	-3	7	2
Mar.	91	-7	-4			5	1		6		0			2	-7	5	1	-12	-3			9	5
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8